

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: ENRG, OECD
SUBJECT: IEA: JAN 31-FEB 1 GOVERNING BOARD: NOTE BY
CHAIRMAN DAVIGNON

FOLLOWING IS FULL TEXT OF CHAIRMAN'S NOTE SUBMITTED TO
JAN 31-FEB 1 GOVERNING BOARD AS DAVIGNON'S "FINAL
STATEMENT" TO IEA:

BEGIN TEXT

1. OUR ACCOMPLISHMENTS TO DATE WITHIN THE AGENCY TOUCH
ALL THE MAJOR OBJECTIVES OF THE INTERNATIONAL ENERGY
PROGRAM. OVER THE PAST TWO YEARS WE HAVE DEVELOPED:

- A WORKABLE EMERGENCY OIL SHARING SYSTEM
- A CO-ORDINATED VIEW OF OUR RELATIONSHIPS WITH
OIL PRODUCING COUNTRIES AND OTHER CONSUMING
COUNTRIES, RESULTING IN PARALLEL POSITIONS IN
CIEC
- A BROAD AND EFFECTIVE ENERGY INFORMATION SYSTEM
- SUBSTANTIAL RESEARCH AND DEVELOPMENT EFFORTS
- AND MOST IMPORTANTLY, PRINCIPLES AND A PROCESS

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FOR LONG-TERM CO-OPERATION TO IMPROVE THE WORLD
ENERGY SUPPLY/DEMAND BALANCE.

2. DESPITE THESE ACHIEVEMENTS, THERE HAS NOT BEEN A
SENSE OF URGENCY AS TO THE NECESSITY FOR ACTION ON
ENERGY AMONG OUR PUBLICS, OUR LEGISLATURES AND OUR
GOVERNMENTS. SOMETIMES THE GOVERNING BOARD ITSELF HAS

NOT ALWAYS FOCUSED QUICKLY ENOUGH ON THE MAIN ISSUES. OUR RESPONSE, FOR INSTANCE, TO THE THREAT OF OIL PRICE INCREASES WAS CURIOUSLY UNCO-ORDINATED: UNTIL THE LAST MOMENT WE DEFERRED FROM DISCUSSING THE POLITICAL AND ECONOMIC CONSEQUENCES, FROM CO-ORDINATING OUR ACTION, FROM COMPARING OUR INFORMATION.

3. THE COMPLEX SITUATION IN THE WORLD OIL MARKET IN THE WAKE OF THE RECENT OPEC MEETING IN QATAR UNDERLINES THE IMPORTANCE OF CONTINUING TO ASSESS THE SHORT AND MEDIUM TERM OIL MARKET PROSPECTS. BUT EVEN MORE IT EMPHASIZES THE NEED FOR STRONGER COOPERATION ON ALL OF THE TASKS WE FACE DURING THE COMING YEAR.

4. FIRSTLY, IT WILL BE NECESSARY TO MOUNT AN INTENSIVE CAMPAIGN TO INCREASE THE POLITICAL AWARENESS OF OUR GOVERNMENTS AND PUBLICS ON THE ENERGY PROBLEM. 1976 WAS NOT A YEAR FOR TAKING HARD POLITICAL DECISIONS, BUT WITH ELECTIONS BEHIND US IN MANY COUNTRIES PREPARATIONS HAVE BEEN LAID FOR KEY DECISIONS IN 1977. THE PUBLIC IS PROBABLY READY TO ACCEPT SACRIFICES, IF WE CAN PRODUCE A CREDIBLE AND WORKABLE POLICY RESPONDING TO THE FACT THAT ENERGY INSTABILITY WILL SEVERELY LIMIT OUR CAPACITY TO DEAL WITH OTHER MAJOR ECONOMIC CONCERNS SUCH AS THE ECONOMIC RECOVERY AND THE RESTORATION OF MONETARY STABILITY. AN ABSENCE OF POLICY COULD ALSO IMPAIR DEVELOPMENTS IN THE MIDDLE EAST PEACE NEGOTIATIONS, AND RELATIONS WITH LDC'S, U.S.S.R. AND CHINA.

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5. SECONDLY, WE MUST BRING THE IEA'S PROCESS FOR LONG-TERM COOPERATION TO ITS CONCLUSION BY ARRIVING AT MEANINGFUL, BALANCED ENERGY-POLICY MEASURES BY ALL MEMBER COUNTRIES. THE CENTERPIECE OF THE AGENCY COUNTRIES' CO-ORDINATED POLICIES SHOULD BE A BASIC NUCLEUS OF BALANCED CONTRIBUTIONS FROM EUROPE AND JAPAN ON THE ONE HAND AND NORTH AMERICA ON THE OTHER. WE SHOULD BEGIN WORK STRAIGHT AWAY TO DEFINE AND DESCRIBE THIS NUCLEUS. THE BASIC ELEMENTS COULD BE:

- EUROPEAN AND JAPANESE EFFORTS TO REPLACE HEAVY FUEL OIL IN POTENTIAL AREAS BY COAL OR NUCLEAR. THIS WOULD REQUIRE A GRADUAL BUT MAJOR CHANGE IN REFINERY STRUCTURE, ELECTRICITY PRODUCTION STRUCTURE AND ALSO IN INDUSTRIAL HEAT PRODUCTION. EUROPE AND JAPAN WILL HAVE TO ADD TO THIS BASIC ELEMENT REINFORCED CONSERVATION POLICIES WHERE POSSIBLE AND STRONGER ENERGY PRODUCTION POLICIES WHERE FEASIBLE.

- THE UNITED STATES AND CANADA WILL HAVE TO DEVELOP A COHERENT LONG-TERM ORIENTATED ENERGY POLICY WITH THE

FOLLOWING TENTATIVE ELEMENTS:

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INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06
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- GUARANTEES FOR EUROPE AND JAPAN ON ACCESS TO
COAL AND NUCLEAR CAPACITIES. WITHOUT AGREEMENT ON THIS,
HOW CAN EUROPE AND JAPAN CHANGE THEIR BASIC STRUCTURE?

- STRONGLY REINFORCED CONSERVATION POLICY. THE
POTENTIAL IS ILLUSTRATED BY THE FACT THAT GIVEN THE
SAME STANDARD OF LIVING, SWEDISH PER CAPITA ENERGY
CONSUMPTION IS ONLY ABOUT 72 PERCENT OF THE U.S. FIGURE.

- ESTABLISHMENT OF AN INVESTMENT CLIMATE WHICH
WOULD ENCOURAGE, INSTEAD OF DISCOURAGE, PRIVATE CAPITAL
TO DEVELOP ENERGY RESOURCES IN NORTH AMERICA.

6. THIRDLY, WE WILL HAVE TO GIVE MUCH STRONGER
ATTENTION TO ENERGY RESEARCH AND DEVELOPMENT TO SOLVE
THE VERY LONG-TERM PROBLEMS BEYOND 1985 AND LOOKING TO
THE POST-OIL ERA. THE RESULTS OF OUR SYSTEMS ANALYSIS
PROJECT SHOULD BE READY IN EARLY 1977. WE THEREFORE
SHOULD ANTICIPATE TAKING SOLID PROGRAM DECISIONS BEFORE
THE END OF 1977.

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7. FINALLY, WHILE LOOKING AFTER OUR OWN ENERGY AFFAIRS, WE MUST ALSO LOOK OUTWARD TOWARDS OPEC AND THE DEVELOPING COUNTRIES. WE MUST RECOGNIZE THAT THE OUTCOME OF CIEC WILL HAVE STRONG IMPLICATIONS FOR THE WORLD ENERGY SITUATION. WE WILL HAVE TO CONTRIBUTE DECISIVELY TO A SUCCESSFUL OUTCOME TO CIEC. BUT REGARDLESS OF THE CIEC OUTCOME WE WILL HAVE TO BE PREPARED WITH ADEQUATE PROGRAMS AND POLICIES FOR ENERGY COOPERATION BETWEEN PRODUCERS AND CONSUMERS.

8. IN VIEW OF MY INTENTION TO RESIGN AS CHAIRMAN OF THE GOVERNING BOARD AS A RESULT OF MY APPOINTMENT AS A COMMISSIONER OF THE EUROPEAN COMMUNITIES, THE GOVERNING BOARD SHOULD HAVE IN MIND THE QUALITIES AND CHARACTERISTICS REQUIRED OF THE NEXT CHAIRMAN. I WOULD VERY MUCH HOPE THAT YOU WILL REQUIRE OF HIM TO BE NOT ONLY A "PRESIDENT DE SEANCE" BUT ALSO, WITH OUR EXECUTIVE DIRECTOR, RESPONSIBLE FOR DEVELOPING, EXPLAINING AND PROMOTING AGENCY POLICY. I STRONGLY BELIEVE THAT THE SECRETARIAT WOULD BE PUT IN AN IMPOSSIBLE POSITION IF IT HAD ALONE TO NEGOTIATE WITH INDIVIDUAL GOVERNMENTS. THE CHAIRMAN MUST ACT SO THAT THE MAIN ISSUES WILL BE EXAMINED IN THE GOVERNING BOARD, OR THE SPECIALIZED STANDING GROUPS. IF THE BOARD AGREES WITH THIS POLICY-MAKING ROLE FOR THE CHAIRMAN, THEN:

- HE MUST ENJOY THE FULL CONFIDENCE OF ALL MEMBER GOVERNMENTS. THIS IMPLIES THAT THERE CAN BE NO CONFLICT BETWEEN HIS DUTIES TO HIS OWN GOVERNMENT AND HIS RESPONSIBILITY TO PROMOTE ACTIVE ENERGY POLICIES THROUGH THE AGENCY;

- HE MUST BE IN A POSITION TO MAINTAIN THE GOVERNING BOARD AS A POLITICAL DECISION-MAKING BODY AND TO AVOID THE DANGER OF A DILUTION OF AGENCY ACTIVITIES INTO A CO-ORDINATING GROUP OF CIVIL SERVANTS;

- HE MUST BE ABLE TO MAKE HIMSELF AVAILABLE BOTH TO THE GOVERNING BOARD, TO INDIVIDUAL GOVERNMENTS AND TO

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THE SECRETARIAT. BECAUSE OF THESE OBLIGATIONS, HE SHOULD BE APPOINTED FOR A LIMITED PERIOD, WHICH COULD NOT EXTEND BEYOND TWO YEARS.

THE CHAIRMAN MUST BE SELECTED ON THE BASIS OF HIS INDIVIDUAL QUALITIES AND NOT ON THE BASIS OF GEOGRAPHICAL ROTATION.

END TEXT

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